

Discussion of
*“Sources of Increasing Earning Inequality: Reconciling Survey
and Administrative Data”*

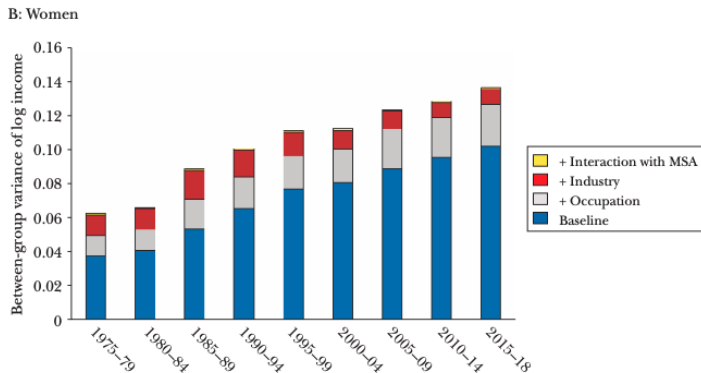
by
John Haltiwanger,
Henry Hyatt and James Spletzer

Christina Patterson
Chicago Booth

Wage Dynamics in the 21st Century, September 2022

Earning Inequality: CPS-Based Narrative

- CPS-based papers show large role for education/occupation



Source: Hoffman, Lee and Lemieux (2020)

Earning Inequality: Firm narrative

- Rise in earnings inequality largely between firm, and specifically between industry
- Driven by increased sorting of workers across industries

| | Growth from 1996-2002 to 2012-2018 |
|-------------------------------|------------------------------------|
| Within-Firm | 14.9 % |
| Between-Firm, Within-Industry | 23.1% |
| Firm Sorting | 8.6% |
| Firm Pay premium | 2.9% |
| Firm Segregation | 11.6 % |
| Between-Industry | 61.9 % |
| Industry Sorting | 28.0 % |
| Industry Pay premium | 8.7% |
| Industry Segregation | 25.2 % |

Source: Haltiwanger, Hyatt and Spletzer (2021)

This paper: why are these two conclusions different?

Many possible differences between the two datasets

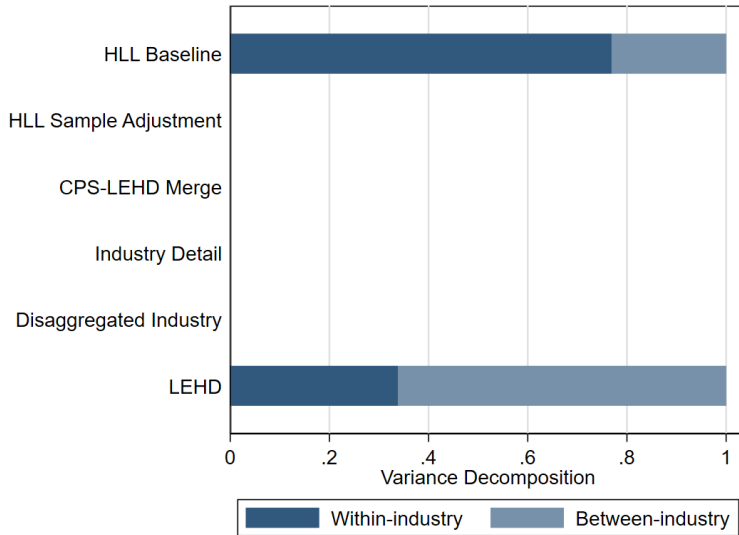
1. Measure of labor income (self-reported vs. administrative quarterly earnings)
2. Different time periods
3. Methodology (marginal effects vs. within and between decompositions)
4. Sample differences (full-time workers vs. all spells)
5. Industry codes (18 SIC codes vs. 299 NAICS codes)

This paper: why are these two conclusions different?

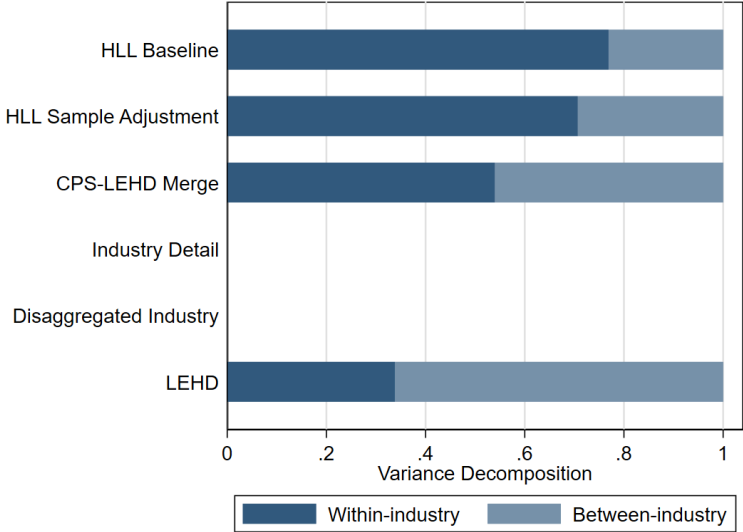
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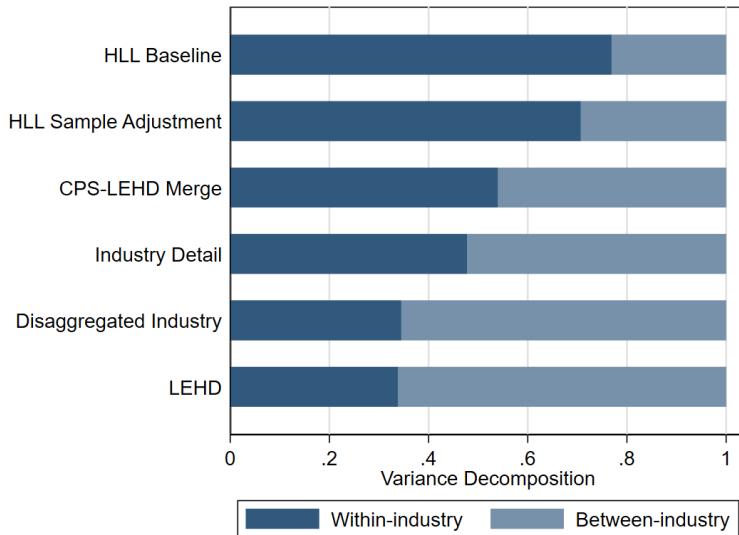
Key Findings of Paper: Uncovering differences



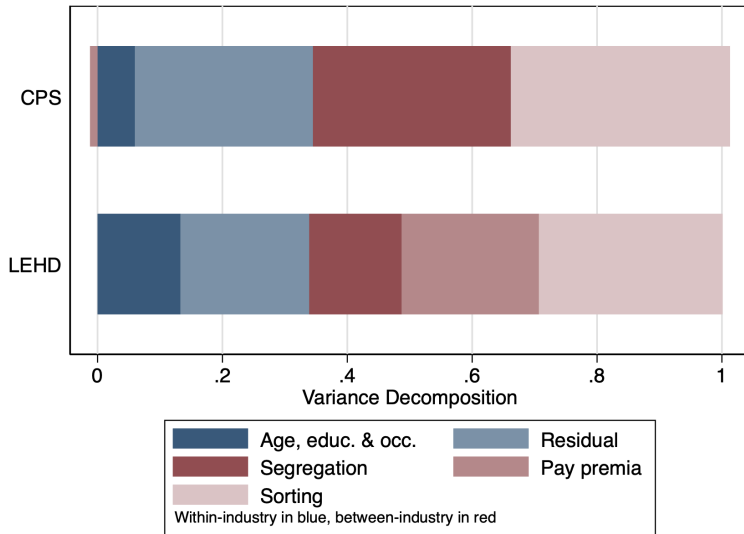
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Key Findings of Paper: Uncovering differences



Key Findings of Paper: Details

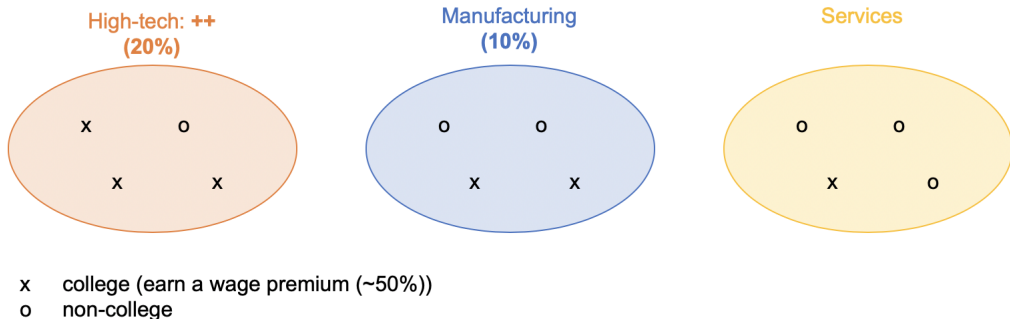


Why is it important to understand that effects are between-industry?

- Do these two narratives point us in different directions?

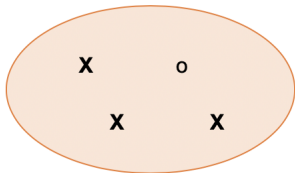
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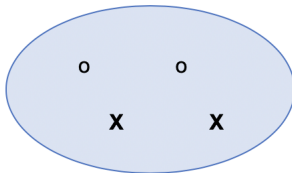


Scenario 1: Simple SBTC (College premium \uparrow)

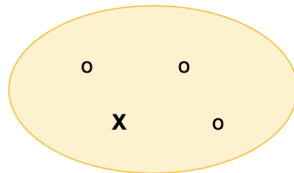
High-tech: ++
(20%)



Manufacturing
(10%)

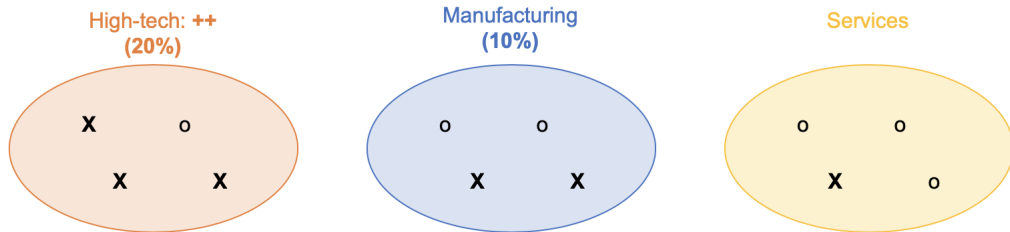


Services



- X** college (earn a wage premium (~70%))
- o** non-college

Scenario 1: Simple SBTC (College premium \uparrow)

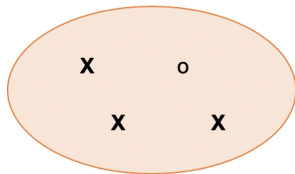


X college (earn a wage premium (~70%))
o non-college

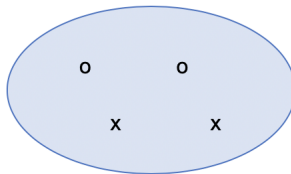
| | Scenario 1 SBTC | Scenario 2 | Scenario 3 | Scenario 4 | HHS |
|---------------|--------------------|------------|------------|------------|------|
| Share Within | 0.73 | | | | 0.33 |
| Share Between | 0.27 | | | | 0.67 |
| Sorting | 0.11 | | | | 0.14 |
| Premia | 0.008 | | | | 0.22 |
| Segregation | 0.15 | | | | 0.29 |

Scenario 2: College premium \uparrow in high tech only

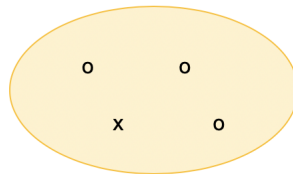
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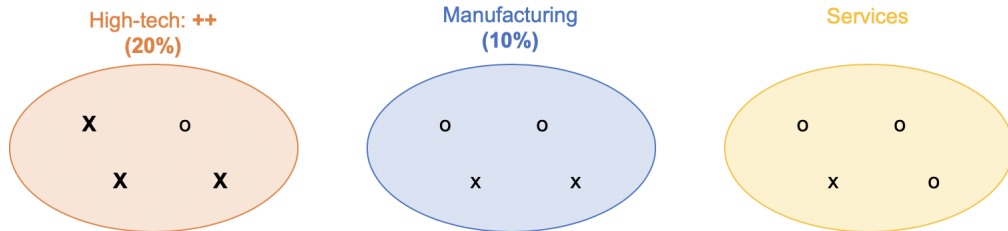


Services



- x baseline college premium (~50%)
- X** Increased college premium (~70%)
- o non-college

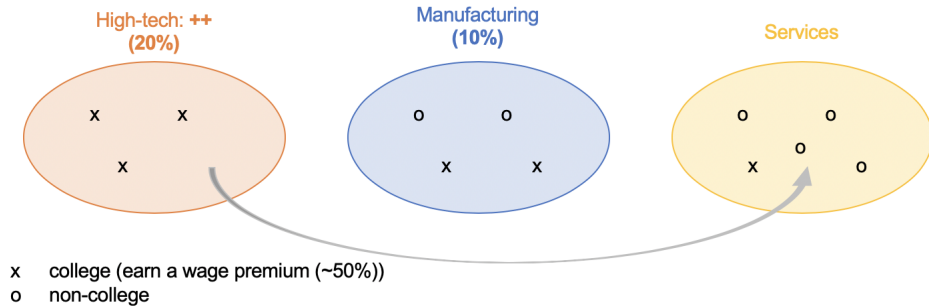
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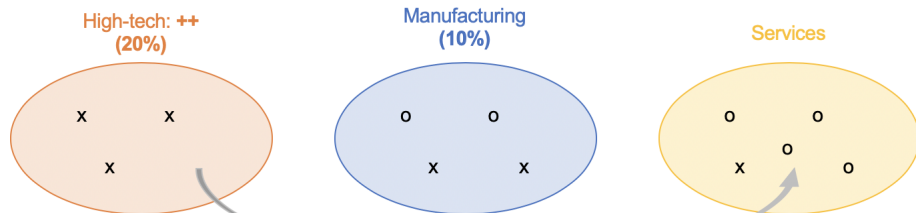
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| | Scenario 1 SBTC | Scenario 2 Ind. SBTC | Scenario 3 | Scenario 4 | HHS |
|---------------|--------------------|-------------------------|------------|------------|------|
| Share Within | 0.73 | 0.35 | | | 0.33 |
| Share Between | 0.27 | 0.65 | | | 0.67 |
| Sorting | 0.11 | 0.31 | | | 0.14 |
| Premia | 0.008 | 0.27 | | | 0.22 |
| Segregation | 0.15 | 0.06 | | | 0.29 |

Scenario 3: Outsourcing

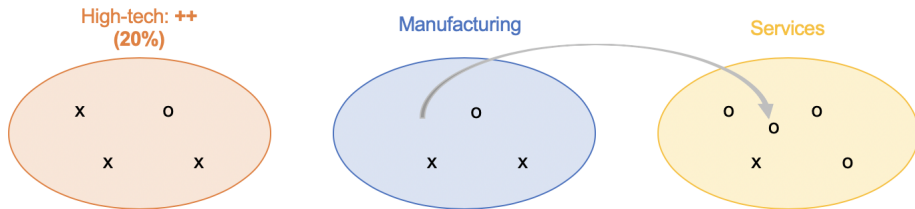


Scenario 3: Outsourcing



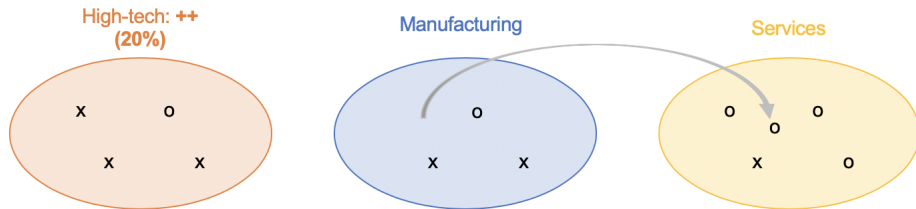
| | Scenario 1 SBTC | Scenario 2 Ind. SBTC | Scenario 3 Outsourcing | Scenario 4 | HHS |
|---------------|--------------------|-------------------------|---------------------------|------------|------|
| Share Within | 0.73 | 0.35 | -1.90 | | 0.33 |
| Share Between | 0.27 | 0.65 | 2.90 | | 0.67 |
| Sorting | 0.11 | 0.31 | 1.14 | | 0.14 |
| Premia | 0.008 | 0.27 | 0.05 | | 0.22 |
| Segregation | 0.15 | 0.06 | 1.71 | | 0.29 |

Scenario 4: Job Polarization/ Trade



- x college (earn a wage premium (~50%))
- o non-college

Scenario 4: Job Polarization/ Trade



| | Scenario 1 SBTC | Scenario 2 Ind. SBTC | Scenario 3 Outsourcing | Scenario 4 Polarization | HHS |
|---------------|--------------------|-------------------------|---------------------------|----------------------------|------|
| Share Within | 0.73 | 0.35 | -1.90 | -2.05 | 0.33 |
| Share Between | 0.27 | 0.65 | 2.90 | 3.05 | 0.67 |
| Sorting | 0.11 | 0.31 | 1.14 | 0.93 | 0.14 |
| Premia | 0.008 | 0.27 | 0.05 | 0.14 | 0.22 |
| Segregation | 0.15 | 0.06 | 1.71 | 1.98 | 0.29 |

Summing Up: Some observations

- You can get substantial segregation and sorting without anybody moving around

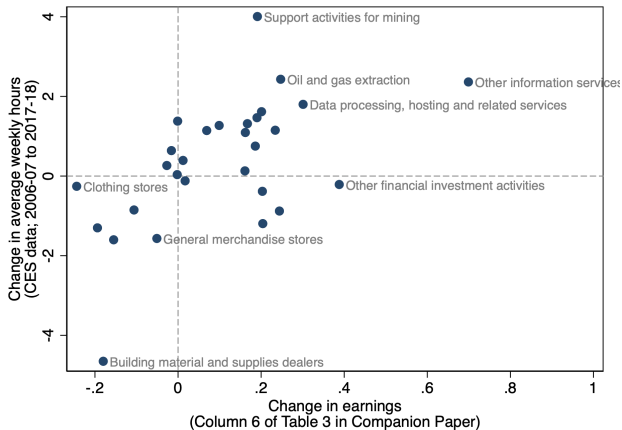
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- To get within, you need some change in the return to worker characteristics/occupation
 - ▶ This also creates between-industry movements if there are initial differences in workers across industries

Summing Up: Some observations

- You can get substantial segregation and sorting without anybody moving around
- To get within, you need some change in the return to worker characteristics/occupation
 - ▶ This also creates between-industry movements if there are initial differences in workers across industries
- This paper's evidence is consistent with many theories of the rise in income inequality
 - ▶ This finding brings our attention back to education/occupation

Final comment: Wages vs. Earnings



Source: Haltiwanger, Hyatt and Spletzer (2021) and BLS Current Employment Statistics

Conclusions

- Compelling deep-dive to reconcile different strands of the literature
- Many potential future projects with the linked dataset (hours vs. earnings, geography, etc.)